BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE PETITION OF NORTHERN STATES POWER COMPANY FOR APPROVAL OF A CUSTOMER BUYBACK PROGRAM	**))))**	**ORDER APPROVING TARIFF REVISIONS** **EL00-013**

On May 1, 2000, Northern States Power Company, Sioux Falls, South Dakota (NSP), filed with the Public Utilities Commission (Commission) a proposed revision to its South Dakota Electric Rate Book - SDPUC No. 2, specifically creating the Enabling Agreement for the Customer Buyback Program:

Section No. 8, 1st Revised Sheet No. 1, canceling Original Sheet No. 1

Section No. 8, Original Sheet No. 13, 14 and 15

This proposed revision creates a "Customer Buyback Program" which allows NSP to make energy purchases from its South Dakota customers who voluntarily agree to interrupt their firm load. NSP will use this Energy Buyback Program only when NSP needs to purchase wholesale energy to serve native load or when NSP is affected by exceptional generation or transmission system difficulties. NSP intends on including the cost of energy purchases from the Customer Buyback Program in the fuel clause adjustment.

On May 4, 2000, the Commission electronically transmitted notice of the filing and the intervention deadline of May 19, 2000, to interested individuals and entities. No petitions to intervene or comments were filed. At its regularly scheduled meeting of July 13, 2000, the Commission considered approval of the application. Commission Staff recommended approval with restrictions and reporting requirements as stated in Staff's memorandum dated July 11, 2000. These conditions include:

Usage Restrictions

1. NSP intends to use the Energy Buyback Program as an energy source available only to native load customers.

2. NSP will not use the Energy Buyback Program to "broker" energy purchases from retail customers into the wholesale market. However, NSP may use buy-back energy for resale market sales provided that these sales are: a) not planned when a decision to use the Energy Buyback Program is made, and b) are driven by operational considerations that include minimizing costs and maintaining system security.

3. NSP will plan to use all other existing service options, including interruptible services, to reduce system load before invoking the Energy Buyback

Program. NSP may revise this procedure if required to more effectively respond to system requirements. If a revised procedure is used during a buy-back day, NSP will provide the Commission with the daily log sheets of actual load management steps that were implemented.

4. NSP agrees not to repurchase energy associated with the controllable load of interruptible service customers when the customer is subject to a control period.

5. NSP will not repurchase energy from customers when the negotiated repurchase price from the customers exceeds the wholesale market price that exists when the decision to use the Energy Buyback Program is made and price offers are accepted. If the wholesale market is exhausted, then the price required for energy purchases from retail customers through the buy-back program is then the best approximation for a "wholesale market price."

Reporting Requirements

NSP shall file compliance reports by January 31, 2001, July 30, 2001, and January 31, 2002. Each compliance report shall include:

1. A schedule of buy-back energy purchased from each South Dakota customer. This schedule shall include the date, time period, kWh or MWH purchased and the purchase price for each customer buy-back purchase;

2. The expected range of energy prices when the decision was made to purchase energy from the buy-back customers;

3. A representative after-the-fact market price of the energy during the period of the buy-back;

4. A schedule of the off-system sales. This schedule shall include the date, time period, kWh or MWH sold and the sell price for each off-system sales transaction overlapping the buy-back period reported above;

5. Fuel clause related costs allocated to off-system sales during a buy-back period.

Record Retention

NSP shall maintain, for a minimum period of one year after the above report is filed, and provided upon request of the Commission or Commission Staff, the customer detail usage information in determining the customer's Reference Load Profile (RLP) and the actual energy usage used in determining the customer's actual load reduction for each buy-back period.

The Commission finds that it has jurisdiction over this matter pursuant to SDCL Chapter 49-34A. The Commission voted to approve the tariff revisions with Staff's recommended restrictions and reporting requirements (Commissioner Nelson, dissenting). The Commission finds the revisions are just and reasonable. As the Commission's final decision in this matter, it is therefore

ORDERED, that NSP's revised tariffs, as described above, are approved with Staff's recommended restrictions and reporting requirements, also described above, and shall be effective for service rendered on and after the date of this Order. It is

FURTHER ORDERED, that this approved tariff as described above shall expire on December 31, 2001. In the future, should NSP wish to continue this program after this expiration date, NSP will have to come before the Commission in another proceeding.

Dated at Pierre, South Dakota, this 20th day of July, 2000.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that this document has been served today upon all parties of record in this docket, as listed on the docket service list, by facsimile or by first class mail, in properly addressed envelopes, with charges prepaid thereon.

By:___________________________________

Date:_________________________________

(OFFICIAL SEAL)

BY ORDER OF THE COMMISSION:

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JAMES A. BURG, Chairman

PAM NELSON, Commissioner, dissenting

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LASKA SCHOENFELDER, Commissioner

DISSENT OF COMMISSIONER NELSON

In this docket, Northern States Power Company (NSP) has come to us requesting approval of a "buyback" program that essentially shifts power supply, when demand for that supply is high, from one customer group to another. NSP will pay large customers to reduce consumption, thus enabling other customers to use that power. The hope is that payment made to large customers will be less than the cost of buying from another utility or power marketer. The effect, if the program is successful, is that both customer groups will be better off than they would be without the program. The large customer relinquishing power rights will be paid to do so, while the other customers will be obtaining cheaper power.

A key consideration is that no additional power supply results from this program. It merely shifts usage. One customer curtails while another customer uses more. In effect, NSP and the non-curtailing customers will pay large users for using less. This process bears a close resemblance to other past-approved programs, conservation programs, which also involved payment to customers as an incentive to use less.

There is one major difference between the "buyback" program and the "conservation" programs: NSP recovered the cost of conservation programs in base rates, after rate case review. NSP requests fuel clause recovery of buyback costs. The distinction is not trivial. The fuel clause by its very nature and intent is automatic cost recovery. It is true we can review cost components of the fuel clause, but we have an almost impossibly limited review period that allows the company to keep what they request until we decide otherwise. After a 10-day period following filing, any change we make would only apply prospectively. In my view, neither NSP nor staff offered adequate support to deviate from the past practice of placing conservation program costs in base rates. The fuel clause was created to fulfill a specific purpose and it's inappropriate to use it as a handy catchall for costs more appropriately considered in a rate case. While I wholeheartedly support programs to reduce consumer costs, I cannot support misuse of the fuel clause. I therefore dissent from the majority opinion that allows fuel clause pass-through.

Pam Nelson, Commissioner